


Annual Report 1973

**THE
YUKON
CONSOLIDATED
GOLD
CORPORATION
LIMITED**



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THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

866-2724

METCALFE

Directors

W. A. ARBUCKLE, C.A.
Chairman, Canadian Board of
The Standard Life Assurance Company
Montreal, Quebec

J. G. S. GAMMELL, M.B.E., C.A.
Partner,
Ivory & Sime
Edinburgh, Scotland

R. A. HAMMOND-CHAMBERS
Partner,
Ivory & Sime
Edinburgh, Scotland

NEIL B. IVORY
President,
Pembroke Management Ltd.
Montreal, Quebec

CLIFFORD L. LAROCK, F.C.I.S.
Chairman,
Pembroke Management Ltd.
Montreal, Quebec

C. E. McLEOD, Q.C.
Retired,
Vancouver, B.C.

J. WEATHERALL
Director,
Jones Heward & Company Ltd.
Montreal, Quebec

Officers

NEIL B. IVORY
President

CLIFFORD L. LAROCK, F.C.I.S.
Vice-President

RICHARD HALLER
Secretary

CYRIL F. REID
Treasurer

Executive Offices

1018 Sun Life Building,
Dominion Square,
Montreal, Quebec H3B 2W8

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

TO THE SHAREHOLDERS

During 1973 three important steps were taken towards expanding and diversifying the asset base from which revenue is derived:—

The investment in Lornex Mining Corporation Ltd. was increased to a 20.1% equity interest through the purchase of a further 188,340 shares.

A 30.5% equity interest in Crows Nest Industries Limited (227,579 shares) was acquired. Since the year end this holding has been increased to 272,695 shares which represents 36.6% of the outstanding common shares.

A 21.1% position in the shares of Barymin Explorations Limited was purchased.

In the Quarterly Report for the period to 30th September, 1973, it was explained that Yukon had started to use the equity accounting method of reporting earnings of its major investments in Lornex and Crows Nest Industries. On this basis net income for 1973 was \$6,582,735 or 55 cents a share assuming conversion of the Promissory Notes. In view of this change in presentation comparative figures for the prior year are not shown in the financial statements. It should be noted that Yukon's share of the earnings of Lornex and of Crows Nest has been adjusted to reflect changes in the equity interest during the year. This is particularly significant in the case of Crows Nest where the 30.5% equity interest was acquired in July, and the share of earnings thus represents only half the amount that would have shown if this interest had been held for the entire year.

This method has not been applied in respect of the holdings of Barymin and Quintus because both are essentially exploration companies. The interest in Industrial Mineral Ventures (10.0%) is too low to justify the use of equity accounting.

Despite the satisfactory increase in earning power described above, it will be seen from an examination of the Statement of Source and Application of Funds that there are no funds presently available for the payment of dividends. Your Board is conscious of the desires of some shareholders in this regard and the resumption of dividend payments will be considered whenever adequate funds become available from the investment in Lornex.

Lornex Mining Corporation Ltd. (20.1% Equity)

For its first full year of operation, which ended on 31st December, 1973, Lornex reported net earnings of

\$31,898,000 which is equivalent to \$3.89 per Lornex share.

Operations at the mine reached projected levels in almost every respect, the salient figures being:—

Tons of ore milled	13,987,154
Average tons milled per day	38,320
Average millhead grade — copper	.422%
— molybdenum	.017%
Average mill recovery — copper	89.5%
— molybdenum	71.9%
Pounds of payable metal in concentrate produced (thousands) — copper	102,180
— molybdenum	3,481
Ounces of silver produced (thousands)	431

The financial position of Lornex improved substantially during the year as can be seen from the summary which appears below:—

	1973	1972
	(\$000's omitted)	
Current assets:		
Cash and short term deposits	\$ 5,883	\$ 5,253
Concentrates awaiting shipment	18,773	2,844
Other current assets	9,633	7,153
Total	<u>34,289</u>	<u>15,250</u>
Current liabilities:		
Long term debt due within one year	4,523	6,153
Other current liabilities	8,641	6,996
Total	<u>13,164</u>	<u>13,149</u>
Working capital	21,125	2,101
Fixed and other assets less depreciation and amortization	135,811	140,887
Total assets less current liabilities	<u>156,936</u>	<u>142,988</u>
Long term debt less due within one year	112,373	133,147
Deferred Provincial mining taxes	2,715	—
	<u>115,088</u>	<u>133,147</u>
Excess of assets over liabilities	<u>\$ 41,848</u>	<u>\$ 9,841</u>

Lornex's earnings are dependent on the world price of copper which increased sharply during 1973. The copper price has remained at record levels so far this year but the possibility of a decline later in the year cannot be ruled out.

It must also be noted that Lornex's exemption from Federal income taxes expired at the end of 1973.

Federal taxes will have to be provided for in 1974 although the rate of tax actually paid will be considerably reduced by accumulated allowances for depreciation and amortization. In addition it is necessary to record that the Government of British Columbia has introduced a Mineral Royalties Act which, if enacted in its present form, will substantially reduce the earnings of Lornex in 1974 and future years.

In a more positive vein it should be emphasized that Lornex, in 1973, established its position as an efficient operation on a world scale. It is also encouraging to find that preliminary results from a drilling program, adjacent to the presently planned pit, indicate ore reserves will be increased.

Crows Nest Industries Limited

(30.5% Equity at year end — currently 36.6%)

Crows Nest is an important holder of natural resource assets located primarily in south-eastern British Columbia. These include:—

- Timber cutting rights and a modern sawmill, which, in 1973 produced 118 million board feet of lumber. The scale of this lumber operation is readily apparent from the photograph shown in this Report.
- Reserves of metallurgical coal sufficient to support a mining operation of 3 million tons a year for at least 15 years. The market for metallurgical



coal is currently very strong but it will not be possible to consider bringing these reserves into production until there is a satisfactory resolution of the many uncertainties regarding mining taxation in the Province of British Columbia.

- The right to receive a royalty at the rate of 50¢ per ton of coal shipped from the properties leased to Kaiser Resources Ltd. starting on 1st January, 1977, to a total amount of \$34 million. Kaiser Resources has a current annual production rate of approximately 4.5 million tons.
- Oil & Gas interests, predominantly in Alberta, which, in 1973, generated a net profit before tax of \$443,000.

For the year ended 31st December, 1973, Crows Nest achieved earnings of \$4,102,000 before deducting an extraordinary item of \$1,210,000 representing an estimated income tax reduction arising from a loss carry forward. The net income for the year, excluding the extraordinary item, was \$2,892,000 which is equivalent to \$3.87 per Crows Nest share.

At this stage in Crows Nest's corporate development earnings are largely dependent on lumber prices. These were firm throughout most of 1973 but it would not be realistic to expect equally high average lumber prices for 1974. This year there will also be a substantial increase in production costs due largely to higher stumpage rates payable to the B.C. Government.

Industrial Mineral Ventures, Inc. (10.0% Equity)

The first section of the plant which is situated in the State of Nevada, started production early in March. This section is designed to produce bentonite and other clay minerals at a rate of 50,000 tons a year. It is anticipated that additional capacity will be brought on stream during 1974.

Bentonite is used in the preparation of drilling muds and foundry sands, and as a binder in iron ore pelletizing plants. IMV's material, which will be sold under the brand name Invite, is of good quality and it should not take long to build up a satisfactory volume of sales. Certain of the other clay minerals found in the IMV deposits are not known in commercial quantities elsewhere. It may thus take longer to develop markets but the unique qualities of these minerals should ultimately ensure a wide acceptance in such industries as agriculture, paint, ceramics and cosmetics.

Barymin Explorations Limited (21.1% Equity)

Barymin's basic policy is to use current revenue to finance participations in major regional exploration projects in partnership with large corporations. Barymin is now engaged in exploration programs in Canada, the U.S. and the Republic of Ireland. A typical example would be the joint venture with U.S. Steel Corporation in Ireland to which Barymin contributes the management and 20% of the funds in return for a 30% interest in any discovery made.

At the present time the prime source of revenue is the 23.75% interest in the Icon Sullivan Joint Venture in Quebec. Successful operations at this Joint Venture, combined with firm copper prices, enabled Barymin to report a net profit of \$339,000, equivalent to 12.3 cents per Barymin share, for its fiscal year which ended on 31st October, 1973. During the fiscal year there was also a major improvement in Barymin's financial situation with working capital increasing to \$1,300,000. Ore reserves available to the Joint Venture should be sufficient to sustain mining operations at least until the end of the current fiscal year. Barymin is now placing a high priority on developing a new source of revenue to replace this Joint Venture.

Quintus Leaseholds Limited (100.0% Equity)

As at 31st December, 1973, Quintus had liquid assets of approximately \$36,000 and held subleases and royalty interests which are projected to generate revenue of \$185,000 over a two year period. These subleases and royalty interests will terminate once Quintus has recovered its costs plus a modest return on its investment. The revenue from this source will be used to finance exploration partly through the Hazelton Joint Venture in which Quintus has increased its interest to 85% (68% in 1973). This Joint Venture was active during 1973. Work was completed on three blocks of claims in British Columbia which have since been abandoned as the grade of mineralization was too low to justify further expenditures on exploration. A fourth group of claims in B.C. which covers an interesting lead-silver geochemical anomaly has been retained for further evaluation in 1974. Elsewhere in this report reference has been made to the uncertain outlook for the mining industry in B.C. as a result of which in 1974 the exploration activities of this Joint Venture and Quintus will be concentrated in the Yukon Territory where an important group of gold placer claims has already been staked.

Quintus retains its interests in the Milo Area and in the Plato water flood unit but each is still in the process of evaluation.

Corporation's Placer Claims in the Klondike District, Y.T.

The Corporation retains 235 placer claims of which 111 have been leased in return for a royalty on all gold produced. None of these claims contain sufficient gold reserves to support mining on a large scale but operations by lessees on a limited scale should prove viable. Since the year end an additional 73 claims have been leased from the Corporation.

Directors

It is with great regret that your directors report that Mr. W. A. Arbuckle, C.A. and Mr. C. E. McLeod, Q.C. will not stand for reelection to the Board at the forthcoming Annual Meeting.

Mr. McLeod's association with the Corporation covers a span of 54 years, beginning in 1920 when he was appointed Counsel to one of the companies which later was merged into Yukon. He joined the Board of Directors in 1932 and was an Officer from 1943 until his retirement in 1967, acting as Managing Director from 1948 to 1963 and as Vice-President from 1963 to 1967. Early in his distinguished career with the Corporation Mr. McLeod contributed immeasurably to the litigation involving the attempt by the defendant to obtain control of the Corporation by fraudulent means. The litigation was protracted and highly complex but victory was finally achieved by a favourable judgment rendered in 1932 by the Privy Council in London.

Mr. Arbuckle was first elected to the Board in 1936 and from 1956 to 1972 he was President of the Corporation. Among his many important contributions towards the success of the Corporation was the implementation of the joint exploration agreement which subsequently enabled Yukon to participate in the initial financing of Lornex.

It is impossible to express adequately how much the Corporation owes to Mr. Arbuckle and Mr. McLeod who were closely associated throughout their lengthy careers with Yukon.

In addition to Messrs. J. G. S. Gammell, R. A. Hammond-Chambers, Neil B. Ivory, Clifford L. Larock and John Weatherall, who will stand for reelection, Mr. Lisle B. Gatenby, P.Eng., and Mr. John S. Lane, C.F.A., will be nominated as Directors of the Corporation.

Mr. Gatenby has had over 25 years experience in mineral exploration and now practices his profession as a consultant in Vancouver, B.C. Mr. Lane is Associate Treasurer of the Sun Life Assurance Company of Canada.

Annual Meeting

The Annual Meeting will be held at the Offices of the Corporation in Montreal on 30th May, 1974.

On behalf of the Board,

Montreal, Quebec,
30th April, 1974.

NEIL B. IVORY,
President.

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION

31st December, 1973

Investments:

Associated companies (Note 1)	\$22,188,962
Subsidiary company (Note 2)	268,078
Other (Note 3)	1,992,635
	<u>24,449,675</u>

Current Assets:

Cash	77,968
Sundry receivables	9,450
Income taxes recoverable	3,000
	<u>90,418</u>

Current Liabilities:

Accounts payable	8,747
Unclaimed dividends	5,626
	<u>14,373</u>

Net Current Assets 76,045

24,525,720

Bank Loans 3,155,000

Promissory Notes (Note 4) 7,047,000

Shareholders' Equity \$14,323,720

Represented by:

Share capital (Note 5)	\$ 7,905,123
Retained earnings	6,418,597
	<u>\$14,323,720</u>

Approved on behalf of the board:

Neil B. Ivory, Director

C. L. Larock, Director

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended 31st December, 1973

Income:

Equity income in net earnings of Associated Companies (Note 1) —

Lornex Mining Corporation Ltd.	\$ 6,013,269
Crows Nest Industries Limited	451,553
Income debenture interest — Lornex (Note 1)	513,252
Other income	13,580
	<u>6,991,654</u>

Expenses:

General and administrative	95,624
Interest	228,295
Write-off of advance to subsidiary	85,000
	<u>408,919</u>

Net Income for the Year	6,582,735
Deficit at beginning of year	<u>(164,138)</u>

Retained Earnings at End of Year	<u>\$ 6,418,597</u>
Net income per share (basic)	\$0.83
Net income per share (fully diluted)	\$0.55

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31st December, 1973

Source:

Net income for the year		\$ 6,582,735
Less: Non-cash items —		
Equity income in net earnings of Associated Companies	\$ 6,464,822	
Income debenture interest — Lornex	513,252	
Write-off of advance to subsidiary	(85,000)	6,893,074
		(310,339)
Dividends received		170,685
Repayment of advance by subsidiary		14,862
Increase in bank loans		1,655,000
Proceeds of sale of convertible notes		7,047,000
		<u>8,577,208</u>

Application:

Investment in securities —		
Lornex Mining Corporation Ltd.	1,756,861	
Crows Nest Industries Limited	6,422,212	
Barymin Explorations Ltd.	496,380	8,675,453
Decrease in net current assets		<u>\$ 98,245</u>

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS

for the year ended 31st December, 1973

Note 1: Associated Companies

Commencing in 1973 the Corporation has adopted the equity method of accounting for its investments in the undernoted companies:

LORNEX MINING CORPORATION LTD.

Shares at equity value:

1,650,000 common shares — 20.09% of equity	\$ 2,274,012
Share of net earnings	6,121,207
	<u>8,395,219</u>
Excess cost of shares over equity value, less amortization	2,167,412
	<u>10,562,631</u>
8½ % series A unsecured income debentures, due 31/12/85:	
\$4,410,000 principal amount, at cost	4,410,000
Accumulated interest receivable	1,221,144
	<u>5,631,144</u>
Less: Deferred interest receivable, less amortization	707,893
	<u>4,923,251</u>
	<u>15,485,882</u>

The excess cost over equity of the Corporation's investment in Lornex shares is being amortized on a unit of production basis over the estimated ore reserves of Lornex. The amount of such amortization for 1973 is \$107,938.

The accumulated interest receivable on income debentures and interim advances to Lornex cannot be paid by Lornex until required principal and interest repayments have been made on senior forms of Lornex debt. The amount of interest accrued and not taken up in the accounts prior to 31st December, 1972, \$766,885, is being amortized over the period ending on the maturity date of such debentures. Such amortization amounted to \$58,992 in 1973.

During the four year period of commercial production, which began on 1st August, 1972, the Corporation, if required —

- (i) remains obligated to purchase from Rio Algom Mines Limited additional units of income debentures and Class A shares of Lornex for an aggregate expenditure not to exceed \$1,663,725 and has the option to purchase from Rio Algom additional units of income debentures and Class A shares; and
- (ii) will sell to Woodford Investments Ltd. such income debentures and certain of such Class A shares which the Corporation is obligated to purchase, and under certain specified circumstances, has granted to Woodford the abovementioned option.

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS

for the year ended 31st December, 1973 (cont'd)

CROWS NEST INDUSTRIES LIMITED

Shares at equity value:

227,579 common shares — 30.51% of equity	4,616,608
Share of net earnings including extraordinary item \$136,633, less dividends \$170,684	326,594
	<u>4,943,202</u>
Excess cost of shares over equity value, less amortization	<u>1,759,878</u>
	<u>6,703,080</u>

The excess cost over equity of the Corporation's investment in Crows Nest Industries shares is being amortized over a period of 20 years. The amount of such amortization for 1973 is \$45,726.

\$22,188,962

Note 2: Subsidiary Company

The Corporation owns all of the issued common shares and the total principal amount of \$747,000 redeemable bonds of Quintus Leaseholds Limited. The total investment in common shares has been included at a value of \$1 and the bonds have been included at a total cost of \$268,077, which is represented by assets in excess of the total of these amounts at December 31, 1973.

Note 3: Other Investments, at Cost

INDUSTRIAL MINERAL VENTURES, INC.

31,800 common shares, U.S. \$1 par value	\$ 1,147,130
U.S. \$350,000 1% — 10% subordinated debentures, due 31/12/80-86 at rate of U.S. \$50,000 per annum	349,125
	<u>1,496,255</u>

BARYMIN EXPLORATIONS LIMITED

700,000 common shares, n.p.v. (market value \$266,000)	496,380
	<u>\$ 1,992,635</u>

Note 4: 1% — 10% Convertible Promissory Notes, Due 30/6/88

These notes are dated 1st July, 1973, and bear interest from that date at the rate of 1% per annum through 30th June, 1978, and thereafter at the rate of 10% per annum payable half-yearly on 31st December and 30th June in each year, commencing 31st December, 1973. They are redeemable at the option of the Corporation, as a whole at any time or in part from time to time prior to maturity, in multiples of \$1,000 at a premium of 20% of the principal amount to be redeemed, if redeemed, on or before 30th June, 1978. Thereafter the premium will decline by 2% for each consecutive 12 month period expiring on each subsequent 30th June, so that the notes will be redeemable at par during the 12 month period expiring 30th June, 1988. The notes are convertible at the option of the registered holder, as a whole at any time or in part from time to time prior to maturity or redemption, into common shares of the Corporation, as presently constituted, at an effective conversion price of \$1.75 per share.

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS

for the year ended 31st December, 1973 (cont'd)

Note 5: Share Capital

3% non-cumulative redeemable preferred shares of \$1 each

Authorized	3,000,000 shares	<u>\$ 3,000,000</u>
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Common shares of \$1 each

Authorized	16,000,000 shares	<u>\$16,000,000</u>
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Issued	7,860,823 shares		\$ 7,860,823
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Reserved for issue in exchange for securities of former subsidiary companies <u>44,300</u> shares		<u>44,300</u>	<u>\$ 7,905,123</u>
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A total of 4,026,857 common shares are reserved to be issued against conversion of the Corporation's convertible promissory notes.

Note 6: Comparative Financial Information

Comparative information has not been included because of the change to the equity method of accounting for investments in Lornex Mining Corporation Ltd. and Crows Nest Industries Limited.

Note 7: Directors and Officers

The Board of Directors consists of seven members whose aggregate remuneration during the year amounted to \$10,500. There are four officers of the Corporation, two of whom are also directors. The officers received no remuneration as such during the year.

AUDITORS' REPORT

To the Shareholders,

The Yukon Consolidated Gold Corporation Limited:

We have examined the statement of financial position of The Yukon Consolidated Gold Corporation Limited as at 31st December, 1973 and the statements of income and retained earnings and source and application of funds for the year then ended. For The Yukon Consolidated Gold Corporation Limited our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For other companies accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion these financial statements are properly drawn up so as to present fairly the financial position of the Corporation as at 31st December, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied, with the exception of the matter referred to in Note 1, on a basis consistent with that of the preceding year.

Montreal, P.Q.
20th March, 1974

PRICE WATERHOUSE & CO.,
Chartered Accountants

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

Head Office	Royal Trust Tower, Bentall Centre, 555 Burrard Street, Vancouver, B.C. V6B 3R7
Managers	PEMBROKE MANAGEMENT LTD., 1018 Sun Life Building, Dominion Square, Montreal, Quebec H3B 2W8
Auditors	PRICE WATERHOUSE & CO., 5 Place Ville Marie, Montreal, Quebec H3B 2G4
Canadian Registrar and Transfer Agent	THE ROYAL TRUST COMPANY, 555 Burrard Street, Vancouver, B.C. 119 Adelaide Street West, Toronto, Ontario 630 Dorchester Blvd. West, Montreal, Quebec
United Kingdom Registrar	CENTRAL REGISTRATION LIMITED, 1 Redcliff Street, Bristol, BS1 6NT, England
London Transfer Committee	EDWARD HENRY BROWN JOHN REGINALD FRANCIS-SMITH PETER HENRY DEAN
Secretary, London Transfer Committee	LESLIE ARTHUR BRODER 6 St. James's Square, London, SW1Y 4LD, England
Shares Listed	Montreal Stock Exchange, Montreal Toronto Stock Exchange, Toronto

Officers and Directors

Neil B. Ivory — President and Director
 C. L. Larock, F.C.I.S. — Vice-President
 and Director
 W. A. Arbucke, C.A. — Director
 J. G. S. Gammell, M.B.E., C.A. — Director
 R. A. Hammond-Chambers — Director
 C. E. McLeod, Q.C. — Director
 J. Weatherall — Director
 R. Haller — Secretary
 C. F. Reid — Treasurer

Managers and Domicile of Montreal Office

PEMBROKE MANAGEMENT LTD.,
 1018 Sun Life Building,
 Dominion Square,
 Montreal 110, Quebec

Head Office

Royal Trust Tower, Bentall Centre,
 555 Burrard Street, Vancouver 118,
 B.C., Canada

**London Registrar and Registered Office
in Great Britain**

CENTRAL REGISTRATION LIMITED,
 Austral House, Basinghall Avenue,
 London, EC2V 5ES

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

INTERIM REPORT 30th JUNE, 1973

To the Shareholders:

Statements of Earnings and Deficit and Source and Application of Funds for the six months ended 30th June, 1973 are submitted in the same form as last year.

Since 30th June the shareholders have approved the proposed transactions which are important steps towards implementing the stated policy of establishing Yukon as a resource based holding company deriving revenue from a limited number of operations. In particular these include an addition to the investment in Lornex and the acquisition of a substantial interest in Crows Nest Industries Limited, both financed by issuance of convertible notes of the Corporation. These major holdings are described in more detail below.

In order to reflect the earning power of Yukon's assets it has been decided to use the equity accounting method of reporting earnings in future reports to shareholders and to include accrued interest on the Lornex debentures held.

Lornex Mining Corporation Ltd.

At 30th June your Corporation held \$4,410,000 8½% Series A Unsecured Income Debentures and 1,461,660 common shares of Lornex. During the month of July an additional 150,738 common shares of Lornex were acquired which raised the holding to 1,612,398 shares representing 19.67% of the outstanding common and Class "A" shares of Lornex. At 30th June, accumulated accrued interest on the Debentures, which has not

been taken into the accounts, was \$987,400. Progress at Lornex has been most satisfactory with net earnings for the first six months of 1973 amounting to \$12,367,000 equivalent to \$1.51 per common and Class "A" share.

Since operations at the mine started on 1st October, 1972 there has been a steady improvement in the rate of production and an average daily tonnage of 40,154 was achieved in the second quarter. This exceeds the mill's rated capacity of 38,000 tons per day.

The better performance at the mine accompanied by a major increase in the price of copper has enabled Lornex to generate a cash flow of approximately \$20 million in the first half. Bank loans have been reduced from the original amount of \$60 million to about \$47.5 million.

Crows Nest Industries Limited

Since 30th June Yukon has acquired 227,579 common shares of Crows Nest which represents a 30.5% interest in that company. Crows Nest currently derives the bulk of its income from its forest products operations but it also has valuable assets in the form of metallurgical coal reserves, oil and gas interests and real estate holdings. It also enjoys a very strong balance sheet with no long term debt and working capital at 30th June of \$4.1 million, of which \$2.8 million was in the form of term deposits at banks.

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

Quintus Leaseholds Limited

Operations at the Plato water flood unit are satisfactory but it is still too early to determine if the water injection will lead to a substantial increase in oil production.

Quintus is involved in an active mineral exploration program in British Columbia and the Yukon Territory through its participation (68%) in the Hazelton Joint Venture.

NEIL B. IVORY,
President.

Montreal, Quebec
29th August, 1973

Lumber prices were exceptionally strong in the first half of 1973 which enabled Crows Nest to report fully taxed earnings of \$2.29 per share. Recently there has been some weakness in lumber prices but Crows Nest is expected to earn a satisfactory profit in the second half of the year.

Industrial Mineral Ventures Inc.

As described in the Annual Report Yukon holds a 10% interest in this private company which was formed late in 1972 to develop non-metallic mineral deposits in Nevada and California.

Rapid progress is being made and it is anticipated that operations on a limited scale will commence on schedule at the end of this year.

Barymin Explorations Limited

In July it was announced that Yukon had purchased 700,000 shares of Barymin at a price of 70 cents per share. The shares are listed on The Toronto Stock Exchange.

Barymin has a highly qualified geological staff which, in partnership with large industrial corporations, conducts major regional exploration programs in Eastern Canada, the U.S. and in Ireland. The prime purpose of this investment is to develop a valuable long term association which may lead to attractive opportunities for investment as funds become available to Yukon from Lornex and other sources.

Statement of Earnings and Deficit
For the Six Month Period Ended 30th June, 1973 (unaudited)

	1973	1972
Revenue:		
Interest	\$ 5,106	\$ 17,937
Miscellaneous	1,782	1,948
	<u>6,888</u>	<u>19,885</u>
Expenses:		
General and administrative	28,292	29,661
Claims renewal and exploration costs	670	2,617
Directors' and officers' remuneration	5,250	6,500
Interest	56,910	—
	<u>91,122</u>	<u>38,778</u>
	<u>84,234</u>	<u>18,893</u>
	<u>—</u>	<u>732</u>
Write off of cost of Quintus Leaseholds Limited shares		
Loss for the period	84,234	19,625
Deficit at beginning of period	164,138	120,299
Deficit at end of period	<u>\$248,372</u>	<u>\$139,924</u>

Statement of Source and Application of Funds
For the Six Month Period Ended 30th June, 1973 (unaudited)

	1973	1972
Source:		
Loss for the period	\$ (84,234)	\$ (19,625)
Amortization of prepaid claims renewal fees	—	2,270
Reduction in advances to subsidiary	14,862	—
Write off of cost of Quintus Leaseholds Limited shares purchased	—	732
	<u>(69,372)</u>	<u>(16,623)</u>
Application:		
Purchase of Quintus Leaseholds Limited Bonds and shares	—	73,932
Advance to subsidiary	—	20,000
	—	93,932
Decrease in Working Capital	<u>\$ 69,372</u>	<u>\$110,555</u>